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COST-OF-LIVING PROVISIONS IN ONTARIO

COLLECTIVE BARGAINING AGREEMENTS

OCTOBER 1975

Number 13



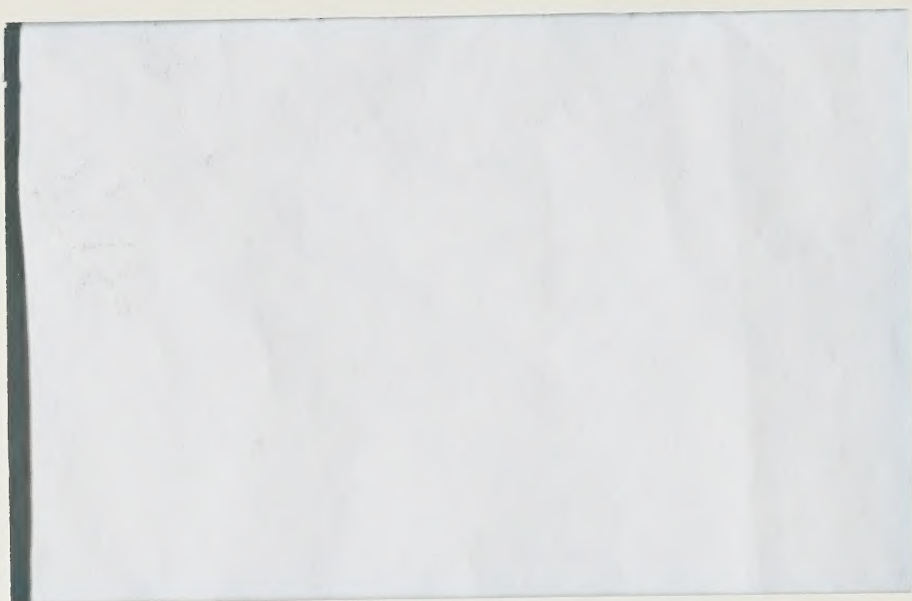
Ontario

Ministry of
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Toronto
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Research Branch

Ontario Ministry of Labour

May 1976

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Minister

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FOREWORD

This report is designed to give quick access to current information on major elements of cost-of-living provisions in Ontario collective agreements. It is the third in the Bargaining Information Series to cover this subject.

Detailed tables on the main provisions have been prepared to provide information that will be useful in bargaining situations. For quick reference, the tables are preceded by a summary of their contents.

The information presented was drawn from an analysis of all Ontario collective agreements covering bargaining units of 200 or more employees working in industries other than construction. As of October 1975, when this analysis was prepared, there were 885 such agreements covering 756,949 employees on file with the Collective Agreements Library of the Ministry of Labour.

For further information, please call Beth Kendall Jess at 965-6886.

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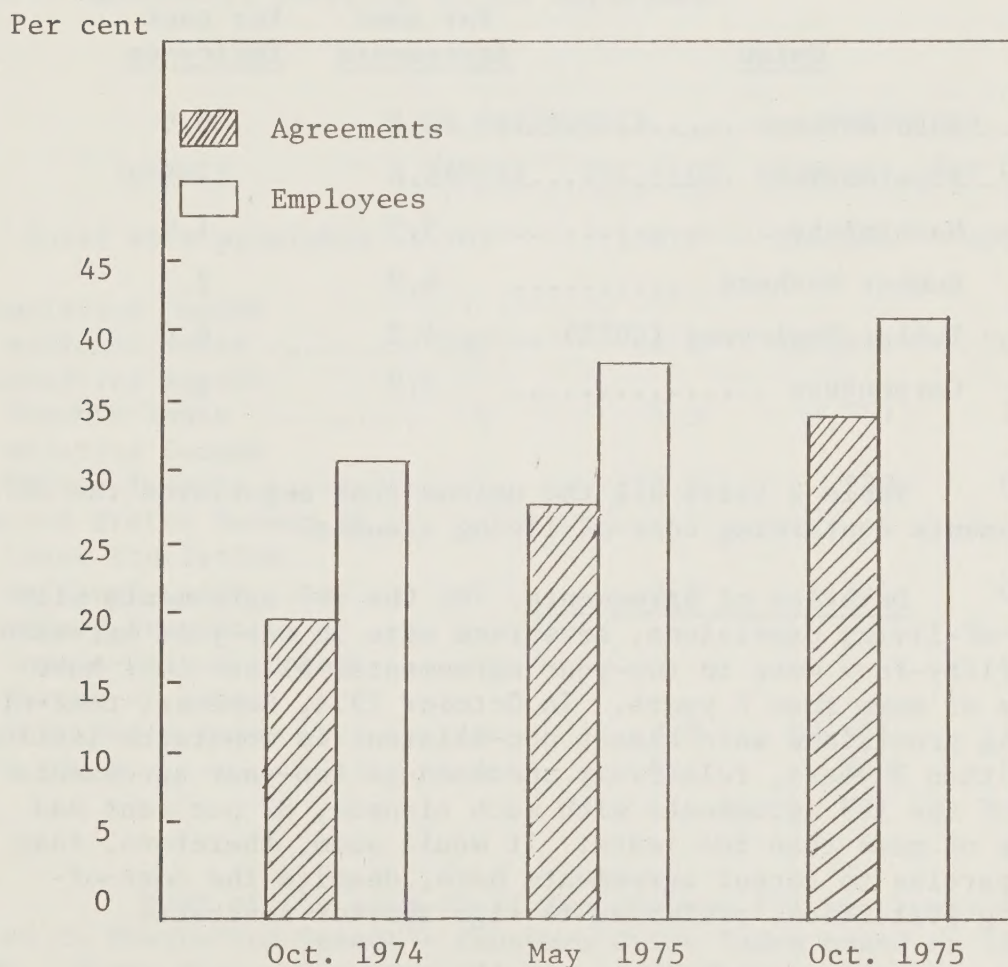
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COST-OF-LIVING PROVISIONS

PREVALENCE OF COST-OF-LIVING PROVISIONS

Cost-of-living clauses providing for automatic adjustment of wage rates with changes in the Consumer Price Index were contained in 307 (35 per cent) of the 885 agreements studied in October 1975. These clauses covered 316,376 or 42 per cent of the total in the study. In October 1974, when the first study of cost-of-living clauses in the Ministry of Labour's Bargaining Information Series was prepared, 20 per cent of the 823 agreements examined had such a provision applying to 32 per cent of the total employees covered.

Per Cent of Agreements and Employees under Cost-of Living Clauses, October 1974 to October 1975



Industry Patterns. Cost-of-living clauses were more common in manufacturing industries: 47 per cent of the 474 manufacturing agreements had cost-of-living provisions covering 64 per cent of the employees, compared with 20 per cent of the

411 non-manufacturing, covering 27 per cent of the employees. The clauses were most prevalent in the metal fabricating, machinery, transportation equipment, electrical products and transportation industries (see Table 1).

Most of the increase in the number of cost-of-living clauses in 1975 occurred in the rubber, forestry, railway and retail food store industries which included such clauses for the first time. Another reason for this increase is that there was a greater number of agreements in the metal fabricating, textiles and electrical products industries with cost-of-living clauses than there had been in 1974.

Unions Involved. More than 50 unions negotiated the 307 agreements with cost-of-living provisions. However, the following six unions together accounted for 54 per cent of the cost-of-living provisions covering 58 per cent of the employees.

<u>Union</u>	<u>Per cent Agreements</u>	<u>Per cent Employees</u>
Auto Workers	20.2	28.6
Steelworkers	15.6	17.3
Machinists	5.5	1.9
Rubber Workers	4.9	2.7
Public Employees (CUPE) ..	4.2	6.0
Carpenters	3.9	1.6

Table 2 lists all the unions that negotiated the 307 agreements containing cost-of-living clauses.

Duration of Agreements. Of the 307 agreements with cost-of-living provisions, seventeen were in one-year agreements and fifty-four were in two-year agreements; 51 per cent have terms of more than 2 years. In October 1974, however, cost-of-living provisions were almost non-existent in contracts lasting less than 2 years, relatively uncommon in two-year agreements and of the 165 agreements with such clauses, 82 per cent had terms of more than two years. It would seem, therefore, that the parties to recent agreements have, despite the cost-of-living protection, preferred to sign shorter contracts.

CHARACTERISTICS OF COST-OF-LIVING PROVISIONS

The principal elements of cost-of-living clauses, which are discussed in the following pages, are the index used

to measure price change, the frequency with which the index is reviewed, and the formula for computing the amount of wage adjustment.

Price Index Used. As the following tabulation shows, Statistics Canada's national Consumer Price Index was the measure of living costs most commonly used in cost-of-living clauses. This index was specified in 94 per cent of the agreements with such clauses and applied to 79 per cent of the employees covered by them. These figures were relatively unchanged from October 1974 when 93 per cent of the agreements, covering 72 per cent of the employees, used the national index. Five agreements, covering 7,039 employees specified the city indexes of Toronto or Ottawa.

A combined United States-Canada Consumer Price Index was established by the automobile manufacturers and the Auto Workers in their 1973 round of negotiations and was specified in 10 agreements covering 56,551 employees.

<u>Index</u>	<u>Agreements</u>		<u>Employees</u>	
	<u>Number</u>	<u>Per Cent</u>	<u>Number</u>	<u>Per Cent</u>
Total with provision...	307	100.0	316,376	100.0
Statistics Canada				
national index	289	94.1	250,950	79.3
Statistics Canada				
Toronto index	4	1.3	6,759	2.1
Statistics Canada				
Ottawa Index	1	0.3	280	0.1
United States Bureau of				
Labor Statistics				
national index	2	0.6	1,511	0.5
Combined Statistics				
Canada-United States				
Bureau of Labor				
Statistics Index	10	3.3	56,551	17.9
Not given	1	0.3	325	0.1

Most of the cost-of-living clauses (71 per cent) were tied to Statistics Canada's Consumer Price Index based on 1961=100. Sixty-five agreements (21 per cent) did not specify the base year. Eleven of the more recently negotiated cost-of-living clauses called for the 1971=100 base which was introduced in 1975.

Frequency of Review. As the following tabulation shows, review of the index every three months was by far the most

common practice in 77 per cent of the agreements covering 75 per cent of the employees. These figures are similar to those in the October 1974 study when quarterly reviews were provided by 76 per cent of the agreements covering 70 per cent of the employees.

Frequency of Review	Agreements		Employees	
	Number	Per Cent	Number	Per Cent
Total with provision....	307	100.0	316,376	100.0
Monthly	9	2.9	3,759	1.2
Quarterly	236	76.9	235,529	74.5
Semi-annual	24	7.8	31,611	10.0
Annual	9	2.9	8,069	2.5
Once during agreement term.	22	7.2	25,647	8.1
Other	7	2.3	11,761	3.7

Quarterly reviews were provided by all, or nearly all, of the agreements in most industries except leather goods, transportation, utilities and (to some extent) metal fabricating. Semi-annual reviews were specified in 24 agreements (a decrease from 12 agreements over the year) mostly in leather goods, truck transportation, utilities and some metal fabricating industries.

The major change in the frequency of review since the October 1974 study was an increase in the number of agreements providing reviews once over the term of agreement from 3 to 22. This is largely due to the inclusion of 14 railway agreements.

Amount of Adjustment. The most usual cost-of-living adjustment formula, found in 88 per cent of the agreements, called for cents-per-hour increases for each specified point change in the index used. As Table 3 shows, under this type of formula the amount of adjustments ranged from 1 cent per hour for each 0.3 point change to 2 cents for each 1.0 point change.

The most common forms of adjustment in terms of numbers of agreements involved were 1 cent for each 0.4 point change, 1 cent per 0.45 and 1 cent per 0.5. The greatest proportion of employees (26 per cent) were covered by a formula that provided 1 cent per hour for each 0.3 point change in the index; about three-quarters of this group were in the transportation equipment industry. These four formulas were found in 65 per cent of the agreements covering 41 per cent of the employees. As the following tabulation shows, the number of agreements using these formulas has increased in October 1975 over the previous year, especially the number using 1 cent per 0.5 points which has increased two and one-half times.

Formula	October 1975		October 1974	
	Agree- ments	Per Cent	Agree- ments	Per Cent
Total	199	65	108	66
1¢ per 0.3 points ...	21	7	9	6
1¢ per 0.4 points ...	40	13	35	21
1¢ per 0.45 points ...	52	17	29	18
1¢ per 0.5 points ...	86	28	35	21

Formulas that specified a percentage adjustment in the same amount as the percentage change in the index were less common than the cents-per-hour formulas. They occurred in 24 agreements covering 44,087 employees; fourteen of these were railway agreements. In October 1974, only 2 agreements covering 12,000 employees specified percentage formulas.

Triggers. Sixty-four agreements (21 per cent) stipulated that the cost-of-living adjustment did not apply until a specified change in the index occurred to trigger the operation of the formula. The industries in which triggers appeared most often were rubber, food and beverages, utilities, retail trade and local administration. In 1974, 16 agreements (10 per cent) provided triggers.

Over half of the formulas were triggered once over the term of the agreement. These triggers, as shown below, were expressed as point or percentage increases in the index or required that the index reach a specific level.

Form and Amount of Trigger	Timing of Trigger		
	Once	Annually	Other ¹
Total with triggers	38	12	14
Point increase:			
5 points or less	1	1	2
8 points	4	-	-
15 points or more	2	-	-
Per cent increase:			
3½ per cent or less	-	11	7
5 per cent	3	-	-
6 per cent	8	-	-
7 per cent	5	-	-
8 per cent	1	-	1
9 per cent	2	-	-
10 per cent	5	-	-
Index must reach specific level	7	-	-
Other	-	-	4

¹ Includes semi-annually, quarterly and at irregular intervals.

Guaranteed Adjustments. Twenty of the cost-of-living clauses, covering 8 per cent of the employees, guaranteed a minimum increase regardless of the movement of the index. Eight of the guarantees were in the electrical products industries and four each were in transportation equipment and utilities. In October 1974, 19 agreements, covering 13 per cent of the employees had guarantees.

As shown below, the guarantees varied widely and were granted either on an annual basis or once during the term of the agreement.

<u>Timing and Amount of Guarantee</u>	<u>Agreements</u>
Total with guarantees	20
Guaranteed per year:	
3 cents per hour	1
9 cents per hour	1
10 cents per hour	1
13 cents per hour	4
15 cents per hour	2
5 per cent	1
Guaranteed per contract term:	
5 cents per hour	1
6 cents per hour	2
10.25 cents per hour	1
8½ cents per hour	3
Other	3

Maximum Adjustments. One hundred and seven of the cost-of-living provisions (35 per cent), covering 25 per cent of the employees, set maximum limits, or caps, on the amount of the adjustments. These caps were found mainly in textiles, food, retail trade, and durable goods industries such as metal fabricating, machinery, transportation equipment, electrical products, and non-metallic mineral products. In October 1974, 40 per cent of the cost-of-living clauses had caps on the amount of the adjustments.

As shown in the following tabulation, the maximum adjustments varied greatly and were imposed either on each adjustment date, annually or once during the term of the agreement.

<u>Timing and Amount of Maximum</u>	<u>Agreements</u>
Total with maximums	107
Maximum per adjustment date:	
5 cents per hour	1
6 cents per hour	2
8 cents per hour	2
10 cents per hour	2
5 per cent	1
Maximum per year:	
5 cents or fewer	7
6 to 10 cents	9
11 to 15 cents	10
over 15 cents	4
varies each year	10
Maximum per contract term:	
10 cents or fewer	13
11 to 15 cents	10
16 to 20 cents	13
over 20 cents	14
percentage	2
Other	7

Downward Adjustments. Over half of the COLA clauses had provisions relating to reduction in the amount of the allowance paid in response to downward movements in the Index. One hundred and seventy-six (57 per cent) provided for a downward adjustment in the allowance, however, 57 of these did not spell out a floor below which the allowance could not be decreased. The remainder either specified a given Index point below which no downward cost-of-living adjustments would be made, or emphasized that basic wage rates would not be subject to reduction due to any decline in the Index.

APPLICATION OF COST-OF-LIVING ALLOWANCES TO SUPPLEMENTARY PAYMENTS

Although virtually all the agreements with cost-of-living provisions defined the allowance as a specific payment to be added to straight-time earnings, 126 of them (41 per cent) included the allowances in the calculation of overtime and fringe benefits as shown in the next tabulation. These agreements were mostly in the transportation equipment, mining, forestry, food and retail trade industries.

<u>Type of Supplementary Payment</u>	<u>Agreements</u>
Overtime premium	44
Shift premium	11
Call-in pay	43
Reporting pay	28
Holiday pay	103
Vacation pay	94
Jury duty pay	30
Bereavement leave	34
Paid leave of absence	12
All payments based on regular rates	6
Other ¹	17

¹Included in the "Other" category are sick leave payments, supplemental unemployment benefits, Saturday and Sunday premiums, injury allowances, severance payments.

Note: Provisions are non-additive. Cost-of-living allowances may be included in more than one supplementary payment.

DIVERSION FROM COST-OF-LIVING ADJUSTMENTS

In 23 agreements, covering 21 per cent of the employees, a portion of the potential cost-of-living increases was withheld from the employees to pay for all or part of the cost of insured benefit plans, in particular, dental plans. This occurred mostly in transportation equipment industries, hence the large proportion of employees affected.

TABLE 1

Cost-of-Living Provisions in Ontario Collective Agreements, Covering
200 or more Employees, by Industry, October 1975

	Total Studied		Number with Provision		Per cent with Provision	
	Agrts	Empls	Agrts	Empls	Agrts	Empls
All Industries	885	756,949	307	316,376	34.7	41.8
Manufacturing	474	303,271	224	193,231	47.3	63.7
Foods and beverages	44	20,519	15	10,072	34.1	49.1
Tobacco products	3	1,423	3	1,423	100.0	100.0
Rubber and plastic products	18	9,761	13	8,226	72.2	84.3
Leather industries	9	2,971	3	935	33.3	31.5
Textile mill products	28	11,619	10	4,070	35.7	35.0
Knitting mills	3	961	-	-	-	-
Clothing industries	9	9,080	-	-	-	-
Wood products	13	3,535	3	920	23.1	26.0
Furniture and fixtures	12	4,350	3	1,564	25.0	36.0
Paper and allied products	41	17,576	7	2,120	17.1	12.1
Printing and publishing	11	6,488	-	-	-	-
Primary metal industries	29	31,709	14	24,253	48.3	76.5
Metal fabricating	56	19,977	35	13,649	62.5	68.3
Machinery, except electrical ...	27	16,255	20	14,175	74.1	87.2
Transportation equipment	59	83,418	41	75,387	69.5	90.4
Electrical products	56	38,674	36	26,685	64.3	69.0
Non-metallic mineral products ..	20	9,199	10	5,109	50.0	55.5
Petroleum and coal products	3	1,347	-	-	-	-
Chemical and chemical products .	15	6,777	2	634	13.3	9.4
Miscellaneous manufacturing	18	7,632	9	4,009	50.0	52.5
Non-Manufacturing ¹	411	453,678	83	123,145	20.2	27.1
Forestry	12	6,177	9	3,740	75.0	60.6
Mining and quarrying	19	25,198	12	22,022	63.2	87.4
Transportation	35	50,070	23	42,646	65.7	85.2
Storage	2	1,925	1	1,700	50.0	88.3
Communications	14	39,348	1	4,741	7.1	12.1
Electric gas and water utilities	15	19,932	8	17,307	53.3	86.8
Wholesale trade	5	1,556	3	856	60.0	55.0
Retail trade	17	33,357	9	15,878	52.9	47.6
Finance, insurance and real estate	1	501	-	-	-	-
Education and related services .	56	27,327	7	1,877	12.5	6.9
Health and welfare services	97	37,599	-	-	-	-
Recreational services	5	2,804	-	-	-	-
Business services	8	4,859	2	2,490	25.0	51.3
Personal services	16	7,048	1	800	6.3	11.4
Miscellaneous services	2	530	-	-	-	-
Federal administration	50	93,155	1	6,500	2.0	7.0
Provincial administration	6	68,481	-	-	-	-
Local administration	51	33,811	6	2,588	11.8	7.7

1. Excludes construction industry.

TABLE 2

Cost-of-Living Provisions in Ontario Collective Agreements, Covering
200 or more Employees, by Union, October 1975

Union	Agreements		Employees	
	Number	Per Cent	Number	Per Cent
Total with provision	307	100.0	316,376	100.0
Airline Employees	1	0.3	935	0.3
Auto Workers	62	20.2	90,503	28.6
Boilermakers	1	0.3	260	0.1
Brewery Workers	2	0.6	490	0.1
Cdn. Merchandising Employees	1	0.3	280	0.1
Cdn. Operating Engineers	2	0.6	770	0.2
Cdn. Retail Employees	1	0.3	373	0.1
Carpenters	12	3.9	5,004	1.6
Chemical Workers	7	2.3	3,196	1.0
Christian Labour Assn.	1	0.3	329	0.1
Communication Workers	3	1.0	1,508	0.5
Distillery Workers	3	1.0	1,360	0.4
Electrical Workers (U.E.)	8	2.6	12,531	4.0
Electrical Workers (I.B.E.W.)	4	1.3	1,244	0.4
Electrical Workers (I.U.E.)	6	1.9	4,248	1.3
Foodworkers	8	2.6	7,222	2.3
Glass & Ceramic Workers	5	1.6	3,019	1.0
Hotel Employees	1	0.3	800	0.3
Locomotive Engineers	1	0.3	530	0.2
Machinists	17	5.5	5,852	1.9
Maintenance of Way	1	0.3	4,343	1.4
Moulders	5	1.6	1,440	0.5
Oil Workers	1	0.3	598	0.2
Public Employees (CUPE)	13	4.2	18,910	6.0
Pulp & Paper Mill Workers	3	1.0	979	0.3
Railroad Signalmen	1	0.3	253	0.1
Railway Clerks	3	1.0	4,793	1.5
Railway, Transport & General	3	1.0	5,548	1.7
Retail Clerks	3	1.0	1,784	0.6
Retail, Wholesale	3	1.0	11,649	3.7
Rubber Workers	15	4.9	8,702	2.7
Service Employees	1	0.3	275	0.1
Sheet Metal Workers	1	0.3	215	0.1
Shoe Workers	2	0.6	555	0.2
Steelworkers	48	15.6	54,699	17.3
Teamsters	5	1.6	9,724	3.1
Technical Engineers	1	0.3	285	0.1
Telegraph Workers	2	0.6	1,100	0.3
Television and Radio Artists (ACTRA)	1	0.3	2,200	0.7
Textile Workers Union	6	1.9	1,763	0.6
Tobacco Workers	3	1.0	1,423	0.5
Traffic Employees	1	0.3	4,741	1.5
Transit Union	3	1.0	7,168	2.3
United Textile Workers	4	1.3	1,612	0.5
United Transportation Union	5	1.6	6,603	2.1
Upholsterers	1	0.3	525	0.2
Woodworkers	4	1.3	1,166	0.4
CLC - directly chartered	4	1.3	1,961	0.6
CNTU - directly chartered	2	0.6	710	0.2
Nat'l. Council of Cdn. Labour	2	0.6	513	0.2
Independent Local Unions	12	3.9	9,030	2.9
Multi-union	2	0.6	10,655	3.4

TABLE 3

Formulas in Cost-of-Living Provisions in Ontario Collective Agreements
Covering 200 or more Employees, by Industry, October 1975

Formula	With Provision		Industries Affected
	Agrts	Empls	
Total	307	316,376	
1¢ per hour for each 0.3 point	21	80,939	Primary metal; metal fabricating; transportation equipment; mining; wholesale trade.
1¢ per hour for each 0.325 point ...	2	1,284	Metal fabricating.
1¢ per hour for each 0.35 point	30	36,407	Food and beverage; paper; primary metal; machinery; transportation equipment; non-metallic mineral products; chemical; forestry; mining.
1¢ per hour for each 0.36 point	1	581	Machinery.
1¢ per hour for each 0.375 point ...	1	761	Primary metal.
1¢ per hour for each 0.4 point	40	31,675	Furniture; paper; primary metal; metal fabricating; transportation equipment; electrical products; non-metallic mineral products; chemical; miscellaneous manufacturing; mining; transportation utilities; federal administration.
1¢ per hour for each 0.45 point	52	39,641	Food; rubber; textile; wood; primary metal; metal fabricating; machinery; transportation equipment; electrical products; miscellaneous manufacturing.
1¢ per hour for each 0.46 point	4	1,590	Rubber; primary metal; machinery; transportation.
1¢ per hour for each 0.5 point	86	57,169	Food; tobacco; textiles; wood; furniture; paper; primary metal; metal fabricating; machinery; transportation equipment; electrical products; non-metallic mineral products; miscellaneous manufacturing; transportation; utilities; trade; education; business and personal services; local administration.
1¢ per hour for each 0.6 point	14	5,952	Furniture; primary metal; metal fabricating; electrical products; miscellaneous manufacturing; wholesale trade.
1¢ per hour for each 0.7 point	1	315	Electrical products.
1¢ per hour for each 0.8 point	1	263	Transportation equipment.
1¢ per hour for each 1.0 point	7	1,853	Textile; electrical products; non-metallic mineral products; miscellaneous manufacturing; mining.
2¢ per hour for each 1.0 point	1	280	Metal fabricating.
2¢ per hour for each 2.0 point	2	555	Leather goods.
40¢ per week for each 0.45 point ...	1	285	Electrical products
1% of wages for each 1%	19	28,003	Food and beverages; metal fabricating; transportation; utilities; education; business services.
3% of wages for each 3%	5	16,084	Utilities.
Amount changes during term of agreement	7	2,106	Metal fabricating; machinery; transportation equipment; mining.
Other	12	10,633	Leather; storage; education.

Previous Reports in the Bargaining Information Series

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Hourly Wage Rates for Selected Occupation under Ontario Agreements Covering Nursing Homes and Homes for the Aged, November 1975

